

## Compliance Questionnaire – Use of Credit Information

### Instructions

Answer all questions to the best of your knowledge. If your company uses a model from a model vendor (such as Fair Isaac Corp., LexisNexis Risk Solutions, or TransUnion LLC) with no modifications, some of these questions may be more applicable to the model vendors. If you believe this is the case, you may defer to the vendor for response by replying "Defer to (insert vendor of credit scoring model used by your company)." Model vendors are also being asked to respond to all questions applicable to them and may defer to company responses on those questions more appropriately answered by the companies.

### Credit model name and vendor (if applicable)<sup>1</sup>

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#### Line of insurance (check one)

Private passenger automobile  Residential property

Program \_\_\_\_\_

Group name \_\_\_\_\_ Group # \_\_\_\_\_

Please list all companies within your group using this model.

Company name \_\_\_\_\_ NAIC # \_\_\_\_\_

#### A. Prohibited use of credit information - [Texas Insurance Code \(TIC\) 559.052](#)

1. How does your company ensure that the credit scores used are not computed using factors that constitute unfair discrimination?
  2. Does your company use credit information in the underwriting process to determine company placement or eligibility of insurance coverage or to limit insurance coverage?
  3. If credit information is used in the underwriting process, are there other factors or criteria used in conjunction with credit information? If so, what are they? Please provide a copy of the related underwriting guidelines.
  4. Does your company use credit information in rating or tier placement? If so, please provide details and a copy of related manual pages and rate pages.
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<sup>1</sup> Complete a separate questionnaire for each model in use. Some vendors have several models with extremely similar names. Be sure to provide the correct and complete model name.

5. If a consumer does not have a credit card, what steps are taken by the company to ensure that an adverse action against the consumer is not taken without consideration of any other applicable factor independent of credit information?
6. What does your company do for underwriting or rating when there is an absence of credit information or an inability to determine credit information for an applicant for insurance coverage or an insured?
7. If your company treats the applicant for insurance coverage or the insured as if they had neutral credit information, how does the company define neutral credit information?
8. If your company has a rate level associated with neutral credit information, provide detailed information on how it relates to the rate level associated with the highest and lowest credit scores, all else equal.

**B. Negative factors – [TIC 559.101](#)**

1. How does your company ensure that a credit inquiry that is not initiated by the consumer is not used as a negative factor in any credit scoring methodology or in reviewing credit information to underwrite or rate a policy for personal insurance?
2. How, specifically, does your company determine if an inquiry is initiated by the consumer?
3. How does your company ensure that an inquiry relating to insurance coverage, if identified on a consumer's credit report, is not used as a negative factor in any credit scoring methodology or in reviewing credit information to underwrite or rate a policy for personal insurance?
4. How would an inquiry relating to insurance coverage be identified on the consumer's credit report and how is the company made aware of that inquiry?
5. How does your company ensure that a collection account with a medical industry code, if identified on a consumer's credit report, is not used as a negative factor in any credit scoring methodology or in reviewing credit information to underwrite or rate a policy for personal insurance?
6. How would a collection account with a medical industry code be identified on the consumer's credit report and how is the company made aware of that code?
7. Which codes are used to identify the medical industry?
8. Explain in detail how your company ensures that multiple lender inquiries made within 30 days of a prior inquiry from the home mortgage industry are considered as only one inquiry.
9. Explain in detail how your company ensures that multiple lender inquiries made within 30 days of a prior inquiry from the motor vehicle lending industry are considered as only one inquiry.
10. How does your company distinguish between the home mortgage industry and the motor vehicle lending industry for multiple lender inquiries made within 30 days of a prior inquiry?

**C. Effect of extraordinary events - [TIC 559.103](#)**

1. Describe in detail the process used by your company to provide an exception to the rates, rating classifications, or underwriting rules for a consumer whose credit information has been directly influenced by an extraordinary event.
2. Do you require that applicants for insurance coverage or insureds provide a written request for reasonable exceptions due to extraordinary events? Do you permit requests other than written and if so, in what form?
3. In an applicant's or insured's request, what information do you ask them to provide?
4. Do you have a process to verify this information? If so, what is it?
5. If an exception is granted, do you consider only credit information not affected by the event or do you assign a neutral credit score?
6. If a neutral credit score is used, how is that defined?

7. How does the rate level associated with a neutral credit score relate to the rate levels associated with the highest and lowest credit score, all else equal?

**D. Dispute resolution; error correction - [TIC 559.055](#)**

1. Describe in detail the dispute resolution process established by your company.
2. Please provide any training materials for employees or notices to policyholders describing this process.

**E. Disclosure to consumer regarding use of credit scoring - [TIC 559.053](#)**

1. Is the TDI promulgated CD-1 form used to disclose to consumers that credit scoring is being used to develop the rates, rating classifications, or underwriting criteria?
2. If another disclosure is being used, has it been filed per [Commissioner's Bulletin B-0048-03](#)?

**F. Notice of action resulting in adverse effect - [TIC 559.054](#)**

1. What descriptions are used by your company in describing the reasons for an action resulting in an adverse effect against an applicant for insurance coverage or an insured?
2. Are these standardized credit explanations provided by a consumer reporting agency or other third-party vendor? If so, who were these provided by?
3. Describe the methodology used to determine which four factors were the primary influences of the action resulting in the adverse effect.

**G. Additional information**

1. Are differences in the rates charged by your company due solely to credit scoring based on sound actuarial principles and supported by data filed with the Texas Department of Insurance? Please provide the TDI filing number for the filing(s) where such supporting data was provided.
2. Did the company use a credit scoring model for this program before this filing? If so, please provide the model name and the TDI filing number.
3. For this program, is your company revising its credit scoring model or process or switching to a different model or process with this filing? If so,
  - a. Provide support and justification for the revision.
  - b. How many policies are affected by the revision?
  - c. What is the overall rate level impact of the revision?
  - d. What is the maximum policy premium impact by the revision?
4. Which insured's credit score is used?
5. How often is the policyholder's credit score updated for underwriting or rating?
6. If the company makes any changes to how it uses credit scoring to calculate premium, it must make a rate/rule filing to file and support those changes before using them. Examples include but are not limited to changes to:
  - How credit score is used to determine tier assignment.
  - The rating factor associated with a score or range of scores.
  - Which insured's score is used.
  - How often scores are updated.

Similarly, if the company (or credit scoring model vendor) changes or revises its credit scoring model, then the company must file the new model (or make a reference filing for the vendor's filed new model) before it can be used. Do you confirm that the company is aware of and agrees to comply with these filing requirements?

Name \_\_\_\_\_ Title \_\_\_\_\_ Contact number \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_